

February 8, 2012

House Taxation Committee

Testimony in Support of House Bill 2560

Presented by Richard Cram

Chairman Richard Carlson and Members of the Committee:

Governor Brownback's tax reform plan contained in House Bill 2560, effective starting in Tax Year 2013, provides for:

- **Lowning individual income tax rates and moving from three brackets to two brackets:**
  - **3 percent** rate for income under \$15,000 (\$30,000 married filing jointly)
  - **4.9 percent** rate for income \$15,000 and over (\$30,000 married filing jointly)
  - *Note: Current rates are 3.5 percent, 6.25 percent, and 6.45 percent*
- **Eliminating individual income tax on non-wage business income** (as reported by LLCs, S-corps and sole proprietorships on lines 12, 17, and 18 of the federal form 1040 individual income tax return)
- **Simplifying and streamlining the tax code:**
  - Eliminating itemized deductions, the food sales tax rebate, homestead refund for renters, and some credits
  - Eliminating subtraction modifications for 529 education savings program and long-term care contract premiums
  - *Note: No impact on deductions or credits claimed at the federal level*
- **Doubling the standard deduction (from \$4,500 to \$9,000) for head of household filers** and investing an additional \$60 million in state social services and healthcare programs
- **Leaving the corporate income tax rate unchanged**

- **Holding the sales tax rate steady** at 6.3 percent, with 4/10 of a cent going to the highway fund as planned in FY14
- **Eliminating the two-year severance tax exemption on new pool oil and gas wells**, except for oil wells generating fewer than 50 barrels a day

## OVERVIEW

### **Lowering individual income tax rates and moving from three brackets to two brackets, effective Tax Year 2013:**

The imposition of Kansas income tax, and the rate of tax, is controlled by K.S.A. 79-32,110. The new rate structure for individuals, which moves from three brackets to two brackets and reduces the rates of tax, is found in Section 10, on page 11, of the Bill.

### **Eliminating individual income tax on non-wage business income:**

For individuals, the starting point for calculating Kansas income tax is federal adjusted gross income. Then, in order to determine Kansas adjusted gross income, certain addition and subtraction modifications are made in accordance with K.S.A. 79-32,117.

In accordance with federal law, federal adjusted gross income includes non-wage business income. It is calculated by LLCs, S-corps and sole proprietorships on federal Schedules C, E and F, and then reported on lines 12, 17, and 18 of the federal form 1040 individual income tax return.

The Bill amends K.S.A. 79-32,117 to include new modifications to exempt non-wage business income from Kansas income tax. The new provisions are found in Section 12 of the Bill.

The subtraction modifications, which remove an individual's non-wage business income from federal adjusted gross income in determining Kansas adjusted gross income, are found in (c)(xiv) and (xix), on pages 18 and 19 of the Bill.

If non-wage business income is being subtracted from an individual's federal adjusted gross income, any business losses or deductions already excluded from federal adjusted gross income must be added back in. Otherwise, these losses and deductions flow through from the federal return to the Kansas return, giving the taxpayer a "double dip" which is not proper. The addition modifications include any losses ((b)(xix), page 15), any deductions for self-employment taxes ((b)(xx), page 16), any deduction for pension, profit sharing, and annuity plans of self-employed individuals ((b)(xxi), page 16), any deductions for health insurance ((b)(xxii), page 16), and any deduction for domestic production activities ((b)(xxiii), page 16).

Similarly, if non-wage business income is not subject to tax an individual should not be able to claim a net operating loss or a deduction for business expenses. Accordingly, Section 17,

page 22, amends K.S.A. 79-32,143 by adding subsection (g), (page 24) to restrict the ability to claim a net operating loss to C corporations. And Section 18, page 24 amends K.S.A. 79-32,143a by adding subsection (h), (page 26) to limit the use of an expense deduction to corporations.

The credit for taxes paid to other states, available to Kansas residents at K.S.A. 79-32,111, is amended at Section 11, page 12, to accommodate the non-wage business income exemption, limiting the credit only to income tax paid to another state, when that tax applied to income that is included in Kansas adjusted gross income. Since non-wage business income would be excluded from Kansas adjusted gross income pursuant to the business income exemption, the credit will not apply to income tax paid to another state on any non-wage business income.

A similar amendment (Section 15, page 20 of the bill) is made to K.S.A. 79-32,128, which provides a credit for taxes paid to other states to part-year residents. Again, the credit would not apply to taxes paid to another state on income not included in the taxpayer's Kansas adjusted gross income, i.e., no credit for tax paid to another state on non-wage business income, since it is exempt from Kansas income tax.

Because an individual's non-wage business income will not be subject to Kansas tax a question arises as to how a partners' or shareholder's basis in a partnership or S-corporation should be determined. New Section 19, page 27, resolves this question by providing the partner's or shareholder's basis for Kansas purposes will be the same as that used for federal income tax purposes.

**Simplifying and streamlining the tax code:**

In order to simplify and streamline the tax code, itemized deductions are eliminated by amending K.S.A. 79-32,118, which deals with deductions, to delete any reference to itemized deductions and retain only the standard deduction (Section 13, page 20), and by repealing K.S.A. 79-32,120 (Section 48, page 64), the statute which currently details the calculation of itemized deductions for individuals. The standard deduction is enhanced for heads of household (see below).

Subtraction modifications for 529 education savings program and long-term care contract premiums found in K.S.A. 79-32,117 are also eliminated. These amendments are part of Section 12 and are on page 18.

In order to both simplify and streamline the tax code and to recognize that non-wage business income will no longer be subject to tax, a number of income tax credits are eliminated or their use restricted to only C corporations. These include:

- Abandoned Well Plugging Credit  
(K.S.A. 79-32,207) Section 29, Page 35
- Adoption Credit  
(K.S.A. 79-32,202) Section 48, Page 64
- Agritourism Liability Insurance Credit

(K.S.A. 74-50,173)	Section 4, Page 3
Alternative Fuel Tax Credit	
(K.S.A. 79-32,201)	Section 27, Page 32
Angel Investor Credit	
(K.S.A. 74-8131 et seq.)	Section 48, Page 63
Assistive Technology Contribution Credit	
(K.S.A. 65-7107)	Section 3, Page 3
Child and Dependent Care Credit	
(K.S.A. 79-32,111a)	Section 48, Page 64
Child Day Care Assistance Credit	
(K.S.A. 79-32,190)	Section 22, Page 28
Community Service Contribution Credit	
(K.S.A. 79-32,196)	Section 23, Page 29
(K.S.A. 79-32,197)	Section 24, Page 30
(K.S.A. 79-32,197a)	Section 25, Page 30
Disabled Access Credit	
(K.S.A. 79-32,177)	Section 20, Page 27
Earned Income Credit	
(K.S.A. 79-32,205)	Section 48, Page 64
Environmental Compliance Credit	
(K.S.A. 79-32,222)	Section 33, Page 39
Historic Preservation Credit	
(K.S.A. 79-32,211)	Section 31, Page 37
Individual Development Account Credit	
(K.S.A. 74-50,208)	Section 5, Page 5
Law Enforcement Training Center Credit	
(K.S.A. 79-32,242)	Section 48, page 64
National Guard Employer Health Insurance Credit	
(K.S.A. 79-32,213)	Section 48, Page 64
Research and Development Credit	
(K.S.A. 79-32,182b)	Section 21, Page 27
Single City Port Authority Credit	
(K.S.A. 79-32,212)	Section 32, Page 39
Small Employer Health Benefit Plan Credit	
(K.S.A. 40-2246)	Section 2, Page 2
Swine Facility Improvement Credit	
(K.S.A. 79-32,204)	Section 28, Page 34
Telecommunications Credit	
(K.S.A. 79-32,210)	Section 30, Page 36
Temporary Assistance to Families Contribution Credit	

(K.S.A. 39-7,132)	Section 1, Page 1
(K.S.A. 79-32,200)	Section 26, Page 31
Venture Capital and Local Seed Capital Credits	
(K.S.A. 74-8206)	Section 6, Page 5
(K.S.A. 74-8304)	Section 7, Page 6
(K.S.A. 74-8316)	Section 8, Page 7
(K.S.A. 74-8401)	Section 9, Page 9

The question of how to handle non-refundable credits that are no longer available commencing in tax year 2013 is addressed in New Section 46, found on page 63. This Section provides that such credits may continue to be claimed, subject to any limitations applicable to such credit under the law in effect at the time the credit was earned.

**Doubling the single head of household standard deduction:**

The provision doubling the standard deduction (from \$4,500 to \$9,000) for head of household filers is the amendment to K.S.A. 79-32,119, found in Section 14 on page 20.

**Leaving the corporate income tax rate unchanged:**

The rate of Kansas income tax is found in K.S.A. 79-32,110. Though amended for individuals, the rate of tax for C corporations is not changed. See Section 10, page 12.

Calculation of the tax on a C corporation starts with federal taxable income. Because K.S.A. 79-32,138 mandates that the same modification used for individuals are also used to determine a corporation's Kansas taxable income, certain adjustments to the statute are required to ensure the new non-wage business income modifications available to individuals are not available to corporations. These amendments are found in Section 16, page 21 of the Bill.

**Holding the sales tax rate steady:**

The rate for Kansas sales tax is set by K.S.A. 79-3603. Effective July 1, 2010 the rate increased from 5.3% to 6.3%. Under current law it will be reduced to 5.7 percent effective July 1, 2013. The amendments to K.S.A. 79-3603 and K.S.A. 79-3620, found in Section 34, page 41, and Section 35, page 46, respectively, hold the sales tax steady at 6.3%, with 4/10 of a cent going to the highway fund as planned in FY14. Similarly, the amendments to K.S.A. 79-3703 and K.S.A. 79-3710, found in Section 36, page 48, and Section 37, page 49, respectively, hold the use tax steady at 6.3%, with 4/10 of a cent going to the highway fund as planned in FY14.

**Eliminating the two-year severance tax exemption on new pool oil and gas wells:**

K.S.A. 79-4217 contains a two-year exemption from severance tax for new pool oil and gas wells. The amendment to the statute found in Section 38, page 54, eliminates this exemption except for oil wells producing less than 50 barrels of oil per day.

## OTHER PROVISIONS

### Homestead Property Tax Refunds

A homestead property tax refund is available to a Kansas resident who is: (1) a person having a disability; (2) a person who is 55 years of age or older; (3) a disabled veteran; (4) the surviving spouse of active duty military personnel who died in the line of duty; or (5) a person other than one of the aforementioned who has a dependent child under the age of 18 residing with them at the homestead. A sliding scale of income up to \$27,600 applies to gradually phase out the availability of the refund. Under current law, (K.S.A. 79-4501 *et seq.*) a homestead property tax refund is available to both property owners and to renters.

Overall, the homestead property tax refund program works well for property owners. However, experience has shown claims submitted by renters are frequently incomplete and that many of the claims are suspect. This combination has created a large number of administrative and enforcement problems for the Department of Revenue.

There are approximately 130,000 homestead refund claims submitted per year. About 45,000 of these are from renters. Of the 45,000 renters' claims, approximately two-thirds (66%) "work list," meaning they need manual review by Department staff, and approximately half of the claims (50%) have some type of error requiring corrective or follow-up action by staff. Approximately 7,200 (16%) of the claims are adjusted, and approximately 9,000 (20%) of the claims are denied.

Staff efforts to verify incomplete or suspect homestead refund claims from renters consume substantial Department resources. Errors and mistakes include such things as claiming a refund for property that is not on the tax rolls (such as Section 8 property), not providing a list of what a landlord provides, incorrect addresses, and not completing the claim for all time periods. Determining household income is a difficult issue, as the Department has no way of knowing for certain how many persons live at the reported address. Many claimants report rent payments greater than their income. Examples of fraud include two parties who each list the other as their landlord, and then supply fabricated information to support each other's claims.

Because of these problems, the Bill contains provisions that amend the homestead property tax act to eliminate renters and make homestead property tax refunds available only to property owners. The amendments are found in Section 39 through 44, starting on page 57. As the Department's fiscal note provides, eliminating the food sales tax refund and the homestead refund for renters allows for a reduction of 5 FTE's for annual savings of about \$238,000 beginning in FY 2014.

### Food Sales Tax Refunds

K.S.A. 79-3633 through 79-3639 provides for the refund of sales tax paid on food. Under current law a refund is available to a Kansas resident who is: (1) a person having a disability; (2) a person who is 55 years of age or older; or (3) a person other than one of the aforementioned

who has a dependent child under the age of 18 residing with them at the homestead. For a household income up to \$17,500 the amount of the refund is \$90; for a house income of more than \$17,500 but not more than \$35,000 the refund is \$45.

In Section 48, page 64, the food sales tax refund is repealed.

### **Automatic Income Tax Rate Reduction**

New Section 45, page 62, provides for the automatic reduction of income tax rates when actual state general fund receipts exceeds the actual state general fund receipts for the immediately preceding fiscal year by more than 2% and the actual ending state general fund balance exceeds the amount of 7.5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund. Marginal rates for both individual and corporate income tax will be reduced to rates estimated by the Secretary of Revenue so that the revenue reductions for individual and corporate tax will be in the same proportion as individual and corporate tax receipts are to total of individual and corporate tax receipts. Reduced rates will be published by October 15 of the year prior to their effect. Lower tax receipts will not trigger an automatic rate increase.

### **SECTION BY SECTION SUMMARY**

Section 1, page 1. K.S.A. 39-7,132 provides an income tax credit for any individual, partnership, trust, estate or other legal entity who enters into an agreement with the Secretary of Social and Rehabilitation Services to provide financial support to a person who receives Temporary Assistance for Families (TAF). The non-refundable credit is equal to 70% of the amount of financial assistance paid by such person. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 2, page 2. K.S.A. 40-2246 provides an income tax credit for any small employer establishing a small employer health benefit plan for the purpose of providing a health benefit plan. The amount of the refundable credit varies depending upon when the plan is established and the length of time the plan has been in existence. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 3, page3. K.S.A. 65-7107 provides an income tax credit to any person or entity who makes a contribution to an individual development account reserve fund to be used to purchase assistive technology. The non-refundable credit is equal to 25% of the contribution amount. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 4, page 3. K.S.A. 74-50,173 provides an income tax credit for a portion of the cost of liability insurance paid by a registered agritourism operator that operates an agritourism activity. Though non-refundable the credit, which is equal to 20% of the cost of the insurance, can be carried over for three years. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 5, page 5. K.S.A. 50,208 provides an income tax credit to any program contributor that contributes to an individual development account reserve fund. The amount of the refundable credit is up to 75% of the contribution amount. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 6, page 5. K.S.A. 74-8206 provides an income tax credit for investors investing in stock issued by Kansas Venture Capital, Inc. Though non-refundable the credit, which is equal to 25% of the amount invested, can be carried over until the credit is used. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 7, page 6. K.S.A. 74-8304 provides an income tax credit and a credit against the tax imposed on insurance companies for investors investing in a certified Kansas venture capital company. Though non-refundable the credit, which is equal to 25% of the amount invested, can be carried over until the credit is used. The amendment to this statute restricts the income tax credit to those who pay corporate income tax.

Section 8, page 7. K.S.A. 74-8316 provides an income tax credit for those making gifts, donations, or grants to a technology-based venture-capital fund. Though non-refundable the credit, which is equal to 25% of the amount invested, can be carried over until the credit is used. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 9, page 9. K.S.A. 79-8401 provides an income tax credit and a credit against the tax imposed on insurance companies for cash investment in a certified local seed capital pool. Though non-refundable the credit, which is equal to 25% of the amount invested, can be carried over until the credit is used. The amendment to this statute restricts the income tax credit to those who pay corporate income tax.

Section 10, page 11. K.S.A. 79-32,110 imposes the Kansas income tax and establishes the rate of tax. The amendments to this statute provide two brackets for individuals instead of three, and reduce the bottom rate from 3.5% to 3.0% and the top rate from 6.45% to 4.9%. The rates for all other taxpayers are left unchanged.

Section 11, page 12. K.S.A. 79-32,111 provides a credit against the Kansas income tax of a resident individual, resident estate or resident trust for taxes paid to another state on income derived in that state. The amendments to this statute restrict the credit to taxes paid to another state on income derived in another state and included in Kansas adjusted gross income.

Section 12, page 13. K.S.A. 79-32,117 specifies the modifications (additions and subtractions) to federal adjusted gross income which are made in determining Kansas adjusted gross income.

The addition modifications found in subsection (b) are amended to add:

In (xix), an addition modification for (1) loss business reported from Schedule C on line 12 of the federal form 1040; (2) loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental



reported from Schedule E on line 17 of the federal form 1040; and (3) farm losses reported on Schedule F and on line 18 of the federal form 1040;

In (xx), an addition modification for any deduction for self-employment taxes;

In (xxi), an addition modification for any deduction for pension, profit sharing, and annuity plans of self-employed individuals;

In (xxii), an addition modification for any deduction for health insurance; and

In (xxiii), an addition modification for any deduction for domestic production activities.

The subtraction modifications found in subsection (c) are amended to:

Include, in (xiv), the exclusion of income or loss reported from Schedule E on line 17 of the federal 1040 from the income of a bank, national banking association, or federal or state savings and loan;

Delete current subtraction modification (xv) which relates to contributions to a 529 family postsecondary education savings account;

Delete current subtraction modification (xvi) which relates to premium costs for qualified long-term care insurance contracts;

Provide, in (xix), a subtraction modification for (1) net profit business reported from Schedule C on line 12 of the federal form 1040; (2) net income from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental reported from Schedule E on line 17 of the federal form 1040; and (3) net farm profit reported on Schedule F and on line 18 of the federal form 1040

Section 13, page 20. K.S.A. 79-32,118 provides for the use of either a standard deduction or an itemized deduction for individual income tax payers. The amendment to this statute, and the repeal of K.S.A. 79-32,120, eliminates the use of itemized deductions.

Section 14, page 20. K.S.A. 79-32,119 establishes the amount of the Kansas standard deduction. The amendments to this statute retain a \$3,000 standard deduction for single individuals and a \$6,000 standard deduction for married persons. The standard deduction for a head of household is increased from \$4,500 to \$9,000.

Section 15, page 20. K.S.A. 79-32,128 relates to part-year residents and the manner in which their income is to be reported. In addition to some simple language corrections, the statute is amended to provide that modified Kansas source income be determined using losses or deductions as set forth in K.S.A. 79-32,117.

Section 16, page 21. K.S.A. 79-32,128 deals with the calculation of the taxable income of a C corporation. Because the statute mandates that the same modifications used for individuals are also used to determine a corporation's taxable income, certain adjustments to the statute are required to ensure the new non-wage business income modifications available to individuals are not available to corporations. The amendment to subsection (b) of the statute addresses addition modifications, while the amendment to subsection (c) of the statute addresses subtraction modifications.

Section 17, page 22. K.S.A. 79-32,143 deals with net operating losses. Under present law either an individual or a business may claim a net operating loss. The amendment to this statute restricts the use of a net operating loss to those who pay corporate income tax.

Section 18, page 24. K.S.A. 79-32,143a deals with the expense deduction. Under present law either an individual or a business may claim an expense deduction. The amendment to this statute restricts the use of a net operating loss to those who pay corporate income tax.

New Section 19, page 27. This Section provides that a partner's or shareholder's basis in a partnership or S-corporation will be the same as that used for federal income tax purposes.

Section 20, page 27. K.S.A. 79-32,177 provides an income tax credit for those making expenditures a facility accessible to individuals with a disability, or to make a facility or equipment usable for the employment of individuals with a disability. Though non-refundable the credit, which is equal to 50% of the amount expended, can be carried over for up to four years. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 21, page 27. K.S.A. 79-32,182b provides an income tax credit for research and development activities conducted in Kansas. The credit is equal to 6 ½% of the amount expended. The credit may be carried forward, subject to a limit of 25% in any one tax year. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 22, page 28. K.S.A. 79-32,190 provides an income tax credit for any taxpayer who pays for child day care services for its employees, or that provides facilities and equipment for child day care services. The amount of the refundable credit is either 30% or 50%, subject to certain limitations. The amendment to this statute restricts the credit to those who pay corporate income tax.

Sections 23, 24 and 25, pages 29 and 30. K.S.A. 79-32,196, 79-32,197 and 79-32,197a provide an income tax credit for contributions to a community service organization or governmental entity which engages in the activities of providing community services. The credit, which is at least 50% of the total contribution made, is refundable. The amendment to this statute restricts the credit to those who pay corporate income tax.

Section 26, page 31. K.S.A. 79-32,200 provides an income tax credit for any individual, partnership, trust, estate or other legal entity who enters into an agreement with the Secretary of Social and Rehabilitation Services to provide financial support to a person who receives Temporary Assistance for Families (TAF). The non-refundable credit is equal to 70% of the amount of financial assistance paid by such person. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 27, page 32. K.S.A. 79-32,201 provides an income tax credit for any individual, association, partnership, limited liability company, limited partnership, or corporation that makes expenditures for a qualified alternative-fueled motor vehicle licensed in Kansas or that makes expenditures for a qualified alternative-fuel fueling station. The amount of the non-refundable credit varies depending on the size and type of vehicle, and the timing and amount of expenditure. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 28, page 34. K.S.A. 79-32,204 provides an income tax credit for a taxpayer making required improvements to a qualified swine facility. The non-refundable credit is equal to 50% of the cost incurred. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 29, page 35. K.S.A. 79-32,207 provides an income tax credit for a taxpayer who makes expenditures to plug an abandoned oil or gas well on their land. The non-refundable credit is equal to 50% of the amount expended. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 30, page 36. K.S.A. 79-32,210 provides an income tax credit for property tax paid by a telecommunications company on property initially acquired and first placed in service after January 1, 2001 that has an assessment rate of 33%. The refundable credit is equal to the amount of property taxes timely paid for the difference between the assessment level of 25% and the actual assessment of 33%. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 31, page 37. K.S.A. 79-32,211 provides an income tax credit for a taxpayer that contributes to a state-owned historic site or a 501(c)(3) organization which owns and operates a state-owned historic site. The refundable credit is equal to 50% of the amount of the contribution. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 32, page 39. K.S.A. 79-32,212 provides an income tax credit for the amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002. The non-refundable credit is equal to 100% of the amount attributable, but any credit that exceeds the tax liability is lost. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Section 33, page 39. K.S.A. 79-32,222 provides an income tax credit for a taxpayer that makes qualified expenditures for an existing refinery to comply with environmental standards. The non-refundable credit is equal to the amount of the expenditures. The amendment to this statute restricts to the credit to those who pay corporate income tax.

Sections 34 and 35, pages 41 and 46. K.S.A. 79-3603 imposes the Kansas retailers' sales tax, and K.S.A. 79-3620 deals with depositing and distributing the tax. The amendments hold the sales tax steady at 6.3%, with 4/10 of a cent going to the highway fund as planned in FY14.

Sections 36 and 37, pages 48 and 49. K.S.A. 79-3703 imposes the Kansas consumers' compensating use tax, and K.S.A. 79-3710 deals with depositing and distributing the tax. The amendments hold the use tax steady at 6.3%, with 4/10 of a cent going to the highway fund as planned in FY14.

Section 38, page 51. K.S.A. 79-4217 imposes an excise tax on the severance and production of coal, oil or gas. The statute contains an exemption for new pool oil and gas wells.

The amendment eliminates this exemption, except for oil wells producing less than 50 barrels of oil per day.

Sections 39 through 44, pages 57 through 62. K.S.A. 79-4501 et seq. is the homestead property tax refund act. Under current law a homestead property tax refund is available to both property owners and renters. The amendments to K.S.A. 79-4501, 79-4502, 79-4508, 79-4509, 79-4511, and 79-4522 eliminate renters and make homestead property tax refunds available only to property owners.

New Section 45, page 62. Provides for the automatic reduction of income tax rates when actual state general fund receipts exceeds the actual state general fund receipts for the immediately preceding fiscal year by more than 2% and the actual ending state general fund balance exceeds the amount of 7.5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund. Marginal rates for both individual and corporate income tax will be reduced to rates estimated by the Secretary of Revenue so that the revenue reductions for individual and corporate tax will be in the same proportion as individual and corporate tax receipts are to total of individual and corporate tax receipts. Reduced rates will be published by October 15 of the year prior to their effect. Lower tax receipts will not trigger an automatic rate increase.

Section 46, page 63. This section provides that the unused portion of any non-refundable income tax credit earned in a tax year prior to tax year 2013 which is no longer available to individuals for tax years commencing in tax year 2013 may continue to be claimed, subject to any limitations applicable to such credit under the law in effect at the time the credit was earned.

Section 47, page 63. This section repeals statutes included in the 2011 supplement.

Section 48, page 63. This is the general repealer provision.

New Sec. 19. (a) For Kansas income tax purposes: (1) The basis of a partner's interest in a partnership formed prior to January 1, 2013, shall be the same as that determined by computing the basis as January 1, 2013 pursuant to in accordance with section 705 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto; and making any subsequent adjustments to the partner's interest as provided in section 733 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(2) The basis of a partner's interest in a partnership formed on or after January 1, 2013 shall be determined by computing the basis as of the date of formation of the partnership in accordance with section 705 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the partners' interest as provided in section 733 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(2) (b)(1) The basis of each shareholder's stock and indebtedness in an S corporation formed prior to January 1, 2013, shall be the same as that determined by computing the basis as of January 1, 2013 pursuant to in accordance with section 1367 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto; and making any subsequent adjustments to the shareholder's stock and indebtedness as provided in section 1367(a)(2)(A) of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(2) The basis of each shareholder's stock and indebtedness in an S corporation formed on or after January 1, 2013 shall be determined by computing the basis as of the date of formation of the S corporation in accordance with section 1367 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the shareholders stock and indebtedness as provided in section 1367(a)(2)(A) of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(b) (c) The provisions of this section shall be effective for tax year 2013, and all tax years thereafter.

**Tax Credits Currently Available for Both Corporations and Individuals That Will Now Become Available For Corporations ONLY and Estimated Fiscal Savings (Based on Governor's Tax Proposal)**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Fiscal Estimate Number of Individual Filers	Fiscal Estimate Amount of Credit Allowed for Individual Filers
Abandoned Well Plugging Credit K.S.A. 79-32,207 2012 SB 339, Section 29 2012 HB 2560, Section 29 Agritourism Liability	A taxpayer that makes expenditures to plug an abandoned oil or gas well on their land may be eligible for a credit of 50% of the amount expended.	Nonrefundable	\$250,000 for any one fiscal year First come, first served	None	0	\$0
Insurance Credit K.S.A. 74-50.173 2012 SB 339, Section 4 2012 HB 2560, Section 4	An income tax credit shall be allowed in an amount equal to 20% of the cost of liability insurance paid by a registered agritourism operator that operates an agritourism activity.	Nonrefundable	None	None	20	\$4,084
Alternative Fuel Tax Credit K.S.A. 79-32,201 2012 SB 339, Section 27 2012 HB 2560, Section 27	A credit is allowed for any individual, association, partnership, limited liability company, limited partnership, or corporation that makes expenditures for a qualified alternative-fueled motor vehicle licensed in the state of Kansas or that makes expenditures for a qualified alternative-fuel fueling station.	Nonrefundable	None	None	23	\$14,520
Assistive Technology Contribution Credit K.S.A. 65-7107 2012 SB 339, Section 3 2012 HB 2560, Section 3	An 25% income tax credit shall be allowed to any person or entity who makes a contribution to an individual development account reserve fund to be used to purchase assistive technology	Any credit amount that exceeds the tax liability shall be lost.	\$6,250 in any one fiscal year. KATCO allocates no more than \$6,250 per year	None	0	\$6,250
Child Day Care Assistance Credit K.S.A. 79-32,190 2012 SB 339, Section 22 2012 HB 2560, Section 22 Community Service	A taxpayer may be eligible for a credit if they pay for child day care services for its employees children, locate child day care services for the employees children, or provide facilities and necessary equipment for child day care services for its employees children.	Refundable	\$3,000,000 for any one fiscal year. First come, first served.	None	5	\$9,016
Contribution Credit K.S.A. 79-32,197 2012 SB 339, Sections 23, 24, and 25 2012 HB 2560, Sections 23, 24, and 25	Any business firm which contributes to an approved community service organization engaged in providing community services may be eligible to receive a tax credit of at least 50% of the total contribution made.	Refundable	\$4,130,000 for any one fiscal year. Commerce allocates no more than \$4.13M per year.	None	1,171	\$2,277,797
Disabled Access Credit K.S.A. 79-32,177 2012 SB 339, Section 20 2012 HB 2560, Section 20	Individual and business taxpayers that incur certain expenditures to make their property accessible to the disabled may be eligible to receive a credit.	Nonrefundable Refundable for individuals that have a liability of less than \$2,250	None	None	21	\$38,658

**Tax Credits Currently Available for Both Corporations and Individuals That Will Now Become Available For Corporations ONLY and Estimated Fiscal Savings (Based on Governor's Tax Proposal)**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Fiscal Estimate Number of Individual Filers	Fiscal Estimate Amount of Credit Allowed for Individual Filers
<b>Environmental Compliance Credit</b> K.S.A. 79-32.222 2012 SB 339, Section 33 2012 HB 2560, Section 33	An income tax credit is allowed for a taxpayer that makes qualified expenditures for an existing refinery to comply with environmental standards.	Nonrefundable	None	None	0	\$0
<b>Historic Preservation Credit</b> K.S.A. 79-32.211 2012 SB 339, Section 31 2012 HB 2560, Section 31	An income tax credit is allowed for expenditures incurred in the restoration and preservation of a qualified historic structure.	Nonrefundable	None	None	249	\$3,997,729
<b>Individual Development Account Credit</b> K.S.A. 74-50.208 2012 SB 339, Section 5 2012 HB 2560, Section 5	A 50% tax credit shall be allowed for any program contributor that contributes to an individual development account reserve fund.	Refundable	\$500,000 in any one fiscal year. Commerce allocates no more than \$500K per year.	None	69	\$55,701
<b>Research and Development Credit</b> K.S.A. 79-32.182b 2012 SB 339, Section 21 2012 HB 2560, Section 21	A taxpayer with qualifying expenditures in research and development activities conducted within Kansas may be eligible to receive a credit of 6 1/2% of the amount expended for research.	Nonrefundable	None	None	95	\$25,964
<b>Single City Port Authority Credit</b> K.S.A. 79-32.212 2012 SB 339, Section 32 2012 HB 2560, Section 32	An income tax credit is allowed equal to 100% of the amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002.	Any credit amount that exceeds the tax liability shall be lost.	\$500,000 for any one fiscal year. First come, first served.	Prior to January 1, 2022	0	\$0
<b>Small Employer Health Benefit Plan Credit</b> K.S.A. 40-2246 2012 SB 339, Section 2 2012 HB 2560, Section 2	An income tax credit is allowed for any small employer establishing a small employer health benefit plan for the purpose of providing a health benefit plan.	Refundable	None	None	93	\$59,793
<b>Improvement Credit</b> K.S.A. 79-32.204 2012 SB 339, Section 28 2012 HB 2560, Section 28	An income tax credit of 50% of the cost incurred is allowed for a taxpayer making required improvements to a qualified swine facility.	Nonrefundable	None	None	0	\$0

**Tax Credits Currently Available for Both Corporations and Individuals That Will Now Become Available For Corporations ONLY and Estimated Fiscal Savings (Based on Governor's Tax Proposal)**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Fiscal Estimate Number of Individual Filers	Fiscal Estimate Amount of Credit Allowed for Individual Filers
Telecommunications K.S.A. 79-32.210 2012 SB 339, Section 30 2012 HB 2560, Section 30 Temporary Assistance to Families Contribution Credit K.S.A. 79-32.200 K.S.A. 39-7.132 2012 SB 339, Sections 1 and 26 2012 HB 2560, Sections 1 and 26 Venture Capital Credits and Local Seed Capital Credits K.S.A. 74-8206 K.S.A. 74-8304 K.S.A. 74-8401 K.S.A. 74-8316 2012 SB 339, Sections 6, 7, 8, and 9 2012 HB 2560, Sections 6, 7, 8, and 9	A credit for property tax paid by telecommunications companies is allowed on property initially acquired and first placed in service after January 1, 2001 that has an assessment rate of 33%. The credit is equal to the amount of property taxes timely paid for the difference between an assessment level of 25% and the actual assessment of 33%.  Any individual, corporation, partnership, trust, estate and other legal entity who enters into an agreement with the Secretary of Social and Rehabilitation Services to provide financial support to a person who receives Temporary Assistance for Families (TAF) is allowed a credit of 70% of the amount of financial assistance given.  A 25% tax credit shall be allowed for those taxpayers that invest in stock issued by Kansas Venture Capital, Inc., certified Kansas venture capital companies, certified local seed capital pools, or Sunflower Technology Venture, L.P.	Refundable	None	None	100	\$5,623
		Nonrefundable	None	None	0	\$0
		Nonrefundable		None	* CONFIDENTIAL	* CONFIDENTIAL

**1,846**

**\$6,493,115**

\*CONFIDENTIAL - This information is confidential as there are less than 5 filers.



## Tax Credits with No Change under the Governor's Tax Proposal

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Tax Year 2009 Number of Filers	Tax Year 2009 Amount of Credit Allowed
Entrepreneurship Credit K.S.A. 74-99c09	A tax credit shall be allowed for a contributor making a contribution to the Kansas Center for Entrepreneurship. The credit is 75% of the total amount of cash donated.	Nonrefundable	\$2,000,000 for any one fiscal year.	None	Corporate Filers - 31 Individual Filers - 190	Corporate Filers - \$227,989 Individual Filers - \$1,160,874
High Performance Incentive Program K.S.A. 74-50.132 K.S.A. 79-32.160a(c)	A qualified firm making a cash investment in the training and education of its employees can receive a credit equal to the portion of the investment in the training and education that exceeds 2% of the businesses total payroll costs.  A credit is available for those qualified firms that make an investment in a qualified business facility. The investment credit is 10% of the qualified business facility investment which exceeds \$50,000.  Effective for all taxable years commencing after December 31, 2010, a tax credit shall be allowed in an amount equal to 95% of a resident individual's tax liability for Kansas source income received from a qualified company that is business income attributable to business activities conducted at the business facility, office, department or other operation relocated to Kansas. The taxpayer must own the qualified company and materially participate in the business activities conducted at the relocated business facility, office, department or other operation of the qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50.212, and amendments thereto.	Nonrefundable-Investment Credit  Any credit amount that exceeds the tax liability shall be lost- Training and Education Credit	None	None	Corporate Filers - 148 Individual Filers - 43	Corporate Filers - \$31,809,056 Individual Filers - \$1,367,916
Owners Promoting Employment Across Kansas (PEAK) Credit 2011 SB 193	Effective for all taxable years commencing after December 31, 2011, a tax credit shall be allowed for certain taxpayers that relocate to counties that have been designated as rural opportunity zones. The credit is 100% of the taxpayer's total tax liability.	Any credit amount that exceeds the tax liability shall be lost.	None	None		
Rural Opportunity Zone Credit 2011 SB 198	Effective for all taxable years commencing after December 31, 2011, a tax credit shall be allowed for certain taxpayers that relocate to counties that have been designated as rural opportunity zones. The credit is 100% of the taxpayer's total tax liability.	Any credit amount that exceeds the tax liability shall be lost.	None	Prior to January 1, 2017		

**Tax Credits under the Governor's Tax Proposal Available for Corporate Income Taxpayers and not Individual Income Taxpayers in TY 2013**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Tax Year 2009 Number of Corporate Filers	Tax Year 2009 Amount of Credit Allowed for Corporate Filers
Abandoned Well Plugging Credit K.S.A. 79-32,207 2012 SB 339, Section 29 2012 HB 2560, Section 29	A taxpayer that makes expenditures to plug an abandoned oil or gas well on their land may be eligible for a credit of 50% of the amount expended.	Nonrefundable	\$250,000 for any one fiscal year			
Agritourism Liability Insurance Credit K.S.A. 74-50,173 2012 SB 339, Section 4 2012 HB 2560, Section 4	An income tax credit shall be allowed in an amount equal to 20% of the cost of liability insurance paid by a registered agritourism operator that operates an agritourism activity.	Nonrefundable	None	None	* CONFIDENTIAL	* CONFIDENTIAL
Alternative Fuel Tax Credit K.S.A. 79-32,201 2012 SB 339, Section 27 2012 HB 2560, Section 27	A credit is allowed for any individual, association, partnership, limited liability company, limited partnership, or corporation that makes expenditures for a qualified alternative-fueled motor vehicle licensed in the state of Kansas or that makes expenditures for a qualified alternative-fuel fueling station.	Nonrefundable	None	None	10	\$151,796
Assistive Technology Contribution Credit K.S.A. 65-7107 2012 SB 339, Section 3 2012 HB 2560, Section 3	An 25% income tax credit shall be allowed to any person or entity who makes a contribution to an individual development account reserve fund to be used to purchase assistive technology.	Any credit amount that exceeds the tax liability shall be lost.	\$6,250 in any one fiscal year. KATCO allocates no more than \$6,250 per year	None	0	\$0
Child Day Care Assistance Credit K.S.A. 79-32,190 2012 SB 339, Section 22 2012 HB 2560, Section 22	A taxpayer may be eligible for a credit if they pay for child day care services for its employees children, locate child day care services for the employees children, or provide facilities and necessary equipment for child day care services for its employees children.	Refundable	\$3,000,000 for any one fiscal year. First come, first served.	None	7	\$64,277
Contribution Credit K.S.A. 79-32,197 2012 SB 339, Sections 23, 24, and 25 2012 HB 2560, Sections 23, 24, and 25	Any business firm which contributes to an approved community service organization engaged in providing community services may be eligible to receive a tax credit of at least 50% of the total contribution made.	Refundable	\$4,130,000 for any one fiscal year. Commerce allocates no more than \$4.13M per year.	None	55	\$243,044
Disabled Access Credit K.S.A. 79-32,177 2012 SB 339, Section 20 2012 HB 2560, Section 20	Individual and business taxpayers that incur certain expenditures to make their property accessible to the disabled may be eligible to receive a credit.	Nonrefundable Refundable for individuals that have a liability of less than \$2,250	None	None	7	\$27,050

**Tax Credits under the Governor's Tax Proposal Available for Corporate Income Taxpayers and not Individual Income Taxpayers in TY 2013**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Tax Year 2009 Number of Corporate Filers	Tax Year 2009 Amount of Credit Allowed for Corporate Filers
Environmental Compliance Credit K.S.A. 79-32-222 2012 SB 339, Section 33 2012 HB 2560, Section 33	An income tax credit is allowed for a taxpayer that makes qualified expenditures for an existing refinery to comply with environmental standards.	Nonrefundable	None	None	0	\$0
Historic Preservation Credit K.S.A. 79-32-211 2012 SB 339, Section 31 2012 HB 2560, Section 31	An income tax credit is allowed for expenditures incurred in the restoration and preservation of a qualified historic structure.	Nonrefundable	None	None	21	\$1,272,735
Individual Development Account Credit K.S.A. 74-50-208 2012 SB 339, Section 5 2012 HB 2560, Section 5	A 50% tax credit shall be allowed for any program contributor that contributes to an individual development account reserve fund.	Refundable	\$500,000 in any one fiscal year. Commerce allocates no more than \$500K per year.	None	* CONFIDENTIAL	* CONFIDENTIAL
Research and Development Credit K.S.A. 79-32-182b 2012 SB 339, Section 21 2012 HB 2560, Section 21 Single City Port Authority	A taxpayer with qualifying expenditures in research and development activities conducted within Kansas may be eligible to receive a credit of 6 1/2% of the amount expended for research.	Nonrefundable	None	None	111	\$2,375,145
Credit K.S.A. 79-32-212 2012 SB 339, Section 32 2012 HB 2560, Section 32 Small Employer Health Benefit Plan Credit K.S.A. 40-2246 2012 SB 339, Section 2 2012 HB 2560, Section 2	An income tax credit is allowed equal to 100% of the amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002.  An income tax credit is allowed for any small employer establishing a small employer health benefit plan for the purpose of providing a health benefit plan.	Any credit amount that exceeds the tax liability shall be lost.  Refundable	\$500,000 for any one fiscal year. First come, first served.	Prior to January 1, 2022	* CONFIDENTIAL	*CONFIDENTIAL
Swine Facility Improvement Credit K.S.A. 79-32-204 2012 SB 339, Section 28 2012 HB 2560, Section 28	An income tax credit of 50% of the cost incurred is allowed for a taxpayer making required improvements to a qualified swine facility.	Nonrefundable	None	None	74	\$297,242
		Nonrefundable	None	None	0	\$0

**Tax Credits under the Governor's Tax Proposal Available for Corporate Income Taxpayers and not Individual Income Taxpayers in TY 2013**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Tax Year 2009 Number of Corporate Filers	Tax Year 2009 Amount of Credit Allowed for Corporate Filers
Telecommunications Credit K.S.A. 79-32.210 2012 SB 339, Section 30 2012 HB 2560, Section 30 Temporary Assistance to Families Contribution	A credit for property tax paid by telecommunications companies is allowed on property initially acquired and first placed in service after January 1, 2001 that has an assessment rate of 33%. The credit is equal to the amount of property taxes timely paid for the difference between an assessment level of 25% and the actual assessment of 33%.	Refundable	None	None	53	\$4,594,361
Credit K.S.A. 79-32.200 K.S.A. 39-7.132 2012 SB 339, Sections 1 and 26 2012 HB 2560, Sections 1 and 26	Any individual, corporation, partnership, trust, estate and other legal entity who enters into an agreement with the Secretary of Social and Rehabilitation Services to provide financial support to a person who receives Temporary Assistance for Families (TAF) is allowed a credit of 70% of the amount of financial assistance given.					
Venture Capital Credits and Local Seed Capital Credits K.S.A. 74-8206 K.S.A. 74-8304 K.S.A. 74-8401 K.S.A. 74-8316 2012 SB 339, Sections 6, 7, 8, and 9 2012 HB 2560, Sections 6, 7, 8, and 9	A 25% tax credit shall be allowed for those taxpayers that invest in stock issued by Kansas Venture Capital, Inc., certified Kansas venture capital companies, certified local seed capital pools, or Sunflower Technology Venture, LP.		None	None	0	\$0
<b>* TOTAL</b>		Nonrefundable		None	0	\$0
						\$458,850
						<b>\$9,484,500</b>

344

\*CONFIDENTIAL - This information is confidential as there are less than 5 filers.

CONFIDENTIAL FILERS

**Tax Credits that are or will be Expired by TY 2013 under Current Law**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset
<p><b>Agricultural Loan Interest Reduction Credit</b> K.S.A. 79-32.181a and K.S.A. 79-1126a</p>	<p>A taxpayer which extends or renews an agricultural production loan at least one whole percentage point less than the prime interest rate on loans with equivalent collateral can receive a credit against their tax liability.</p>	<p>Nonrefundable</p>	<p>None</p>	<p>Prior to July 1, 2004</p>
<p><b>Biomass-to-Energy Plant Credit</b> K.S.A. 79-32.233</p>	<p>A taxpayer that makes a qualified investment in a biomass-to-energy plant shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first \$250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds \$250,000,000.</p> <p>Any taxpayer that invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for an investment tax credit of \$100 for every \$100,000 of investment made and a job creation tax credit of \$100 for every qualified business facility employee.</p>	<p>Nonrefundable</p>	<p>None</p>	<p>Prior to January 1, 2011</p>
<p><b>Business and Job Development Credit</b> K.S.A. 79-32.153 and K.S.A. 79-32.160a</p>	<p>Any taxpayer that meets the definition of business in K.S.A. 74-50.114(b), that invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be eligible for an investment tax credit of \$1,000 for every \$100,000 of investment made and a job creation tax credit of at least \$1,500 for every qualified business facility employee.</p>	<p>Nonrefundable</p>	<p>None</p>	<p>Metropolitan counties- Prior to January 1, 2011  Nonmetropolitan Regions and Other Area (other than a Metropolitan County)- Prior to January 1, 2012</p>
<p><b>Business Machinery and Equipment Credit</b> K.S.A. 79-32.206</p>	<p>A credit may be allowed based on a percentage of the personal property tax levied and paid on commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas Constitution in subclass (5) or (6) of class 2, and machinery and equipment classified for such purposes in subclass (2) of class 2.</p>	<p>Refundable</p>	<p>None</p>	<p>Prior to January 1, 2012</p>

## Tax Credits that are or will be Expired by TY 2013 under Current Law

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset
Deferred Maintenance Education Institution Credit K.S.A. 79-32.261	Any taxpayer that contributes to a designated educational institution for purposes of deferred maintenance may be allowed a credit of 50% (60% for community colleges and designated technical colleges).	Refundable for credits issued by community colleges and designated technical colleges.  Nonrefundable for credits issued by post secondary educational institutions.	Community Colleges and Designated Technical Colleges 2008: \$78,125 each 2009: \$156,250 each 2010, 2011, 2012: \$208,233.33 each  Postsecondary Educational Institutions 2008: \$5,625,000 2009: \$11,250,000 2010, 2011, 2012: \$15,000,000	12/31/2012
Declared Disaster Capital Investment Tax Credit K.S.A. 79-32.262	An investment credit shall be available for any business that constructs, equips, reconstructs, maintains, repairs, enlarges, or furnishes a business facility located in the city of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie Kansas, or within one mile of the city limits of any such cities as long as the business is located in Kansas. The investment tax credit is up to 10% of the capital investment made in the facility and is limited to \$100,000 per taxpayer.	Taxpayer has choice of nonrefundable or refundable credit.	\$5,000,000 per tax year	Available for tax years 2008, 2009, and 2010
Electric Cogeneration Facility Credit K.S.A. 79-32.245	An income tax credit is allowed for a taxpayer that makes a qualified investment in a new renewable electric cogeneration facility. The credit is 10% on the first \$50,000,000 invested and 5% on the amount of investment that exceeds \$50,000,000. An eligible film production company that makes direct production expenditures in Kansas that are directly attributable to the production of a film in Kansas may be allowed a credit of 30% of the expenditures.	Nonrefundable	None	Prior to January 1, 2012
Film Production Credit K.S.A. 79-32.258		Nonrefundable	\$2,000,000 per tax year	Prior to January 1, 2013

## Tax Credits that are or will be Expired by TY 2013 under Current Law

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset
<b>Historic Site Contribution Credit</b> K.S.A. 79-32,211	Any taxpayer that contributes to a state-owned historic site or a 501(c)(3) organization which owns and operates a state-owned historic site may receive a tax credit of 50% of the contribution.	Refundable	\$200,000 in any one fiscal year	June 30, 2012
<b>Integrated Coal Gasification Power Plant Credit</b> K.S.A. 79-32,239	A taxpayer that makes a qualified investment in a refinery shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first \$250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds \$250,000,000.	Nonrefundable	None	Prior to January 1, 2011
<b>Mathematics and Science Teacher Employment Credit</b> K.S.A. 79-32,215	An income tax credit shall be allowed to any business firm which has entered into a partnership agreement to employ a Kansas mathematics or science teacher during times that school is not in session. The credit is 25% or 30% if the teacher is teaching in a school district located in a rural community, underserved area or underperforming urban area.	Any credit amount that exceeds the tax liability shall be lost.	\$500,000 for any one fiscal year and no more than \$125,000 in any one congressional district per fiscal year.	Prior to January 1, 2008
<b>National Guard &amp; Reserve Employer Credit</b> K.S.A. 79-32,244	An income tax credit shall be allowed for employing a member of the Kansas army and air national guard or a member of a Kansas unit of the reserved forces of the United States who was federally activated and deployed on or after August 7, 1990. The credit is 25% of the amount paid as salary or compensation, not to exceed \$7,000 for each member employed.	Nonrefundable	None	Prior to January 1, 2009
<b>Nitrogen Fertilizer Plant Credit</b> K.S.A. 79-32,229	A taxpayer that makes a qualified investment in a refinery shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first \$250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds \$250,000,000.	Nonrefundable	None	Prior to January 1, 2011
<b>Petroleum Refinery Credit</b> K.S.A. 79-32,218	A taxpayer that makes a qualified investment in a refinery shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first \$250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds \$250,000,000.	Nonrefundable	None	Prior to January 1, 2011

### Tax Credits that are or will be Expired by TY 2013 under Current Law

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset
<b>Qualifying Pipeline Credit</b> K.S.A. 79-32.224	A taxpayer that makes a qualified investment in a refinery shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first \$250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds \$250,000,000.	Nonrefundable	None	Prior to January 1, 2011
<b>Regional Foundation Credit</b> K.S.A. 74-50.154	Any taxpayer that contributes to an organization designated as a regional foundation may be eligible to receive a tax credit of 75% of the total amount contributed.	Refundable	FY 2005-\$2,500,000 FY 2006-\$2,500,000 FY 2007 thru FY 2012-\$2,000,000  Commerce allocates no more than fiscal limitation per year.	Prior to January 1, 2013
<b>Storage and Blending Equipment Credit</b> K.S.A. 79-32.252	An income tax credit is allowed to a taxpayer that makes a qualified investment in storage and blending equipment installed at a fuel terminal, refinery or biofuel production plant. The credit is 10% on the first \$10,000,000 invested and 5% on the amount that exceeds \$10,000,000.	Nonrefundable	None	Prior to January 1, 2012



## Tax Credits to be Repealed under Governor's Tax Proposal and Estimated Fiscal Savings

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Fiscal Estimate Number of Individual Filers	Fiscal Estimate Amount of Credit Allowed for Individual Filers
<b>Adoption Credit</b> K.S.A. 79-32-202 2012 SB 339, Section 48 2012 HB 2560, Section 48	<b>General Adoption Credit</b> Residents of Kansas who adopt a child can receive a credit of 25% of the adoption credit allowed against the federal income tax liability on the federal return. An additional 25% shall be allowed for those adopting a child that is a Kansas resident and an 25% for those adopting a child with special needs.  <b>Special Needs/SRS Custody Adoption Credit</b> A \$1,500 credit is available for those Kansas residents that adopt a special needs child or a child in the custody of the secretary of Social and Rehabilitation Services.	Nonrefundable	None	None	1,372	\$1,437,192
<b>Angel Investor Credit</b> K.S.A. 74-81.33 2012 SB 339, Section 48 2012 HB 2560, Section 48	A 50% income tax credit shall be allowed to any angel investor that makes a cash investment in the qualified securities of a qualified Kansas business.	Nonrefundable	\$2,000,000 (\$4,000,000 effective 7/1/07, TY 2008 & after \$6,000,000) for any one fiscal year.	Prior to January 1, 2017	212	\$6,000,000
<b>Child and Dependent Care Credit</b> K.S.A. 79-32-111a 2012 SB 339, Section 48 2012 HB 2560, Section 48	Credit is available only to residents and part-year residents filing as residents. The credit is 25% of the federal credit allowed.	Any credit amount that exceeds the tax liability shall be lost.	None	None	71,913	\$9,494,379
<b>Earned Income Credit</b> K.S.A. 79-32-205 2012 SB 339, Section 48 2012 HB 2560, Section 48	Credit is available to resident taxpayers in an amount equal to 18% for tax years 2010 through 2012 and an amount equal to 17% for tax year 2013 and all tax years thereafter of the earned income credit allowed against the federal income tax liability. Refundable credit. The credit is for sales tax paid on food. There is a \$72 credit per exemption claim for a Kansas Adjusted Gross Income of \$0 to \$13,800; and a \$36 credit per exemption for a Kansas Adjusted Gross Income of \$13,801 to \$27,600.	Refundable	None	None	227,893	\$91,000,000
<b>Food Sales Tax Refund</b> K.S.A. 79-3635 2012 SB 339, Section 48 2012 HB 2560, Section 48	A 50% tax credit shall be allowed for a business firm that contributes cash to the Kansas Law Enforcement Training Center.	Refundable	None	None	365,159	\$51,752,392
<b>Training Center Credit</b> K.S.A. 79-32-242 2012 SB 339, Section 48 2012 HB 2560, Section 48	An employer of any member of the Kansas National Guard may receive an income tax credit in an amount equal to the amount paid by the employer for the health insurance of such member during any period or consecutive period of state active duty in excess of 30 days.	Nonrefundable	None	None	0	\$0
<b>National Guard Employer Health Insurance Credit</b> K.S.A. 79-32-213 2012 SB 339, Section 48 2012 HB 2560, Section 48		Nonrefundable	None	None	0	\$0

**Tax Credits to be Repealed under Governor's Tax Proposal and Estimated Fiscal Savings**

Program Name	Description	Nonrefundable or Refundable Credit	Fiscal Year Limitation	Sunset	Fiscal Estimate Number of Individual Filers	Fiscal Estimate Amount of Credit Allowed for Individual Filers
					666,549	\$159,683,963

Form 1040

Department of the Treasury - Internal Revenue Service (99) U.S. Individual Income Tax Return

2011

OMB No. 1545-0074

IRS Use Only - Do not write or staple in this space.

Header section containing personal information: Name (Tom Jones), Spouse (Mary Jones), Address (Anywhere, KS), and Filing Status (Married filing jointly).

Filing Status section with checkboxes for Single, Married filing jointly, Married filing separately, Head of household, and Qualifying widow(er).

Exemptions section including checkboxes for Yourself and Spouse, and a table for dependent information.

Income section with a table listing various income sources (Wages, Interest, Dividends, etc.) and their corresponding amounts.

Adjusted Gross Income section with a table listing deductions (Educator expenses, Health savings account, etc.) and their amounts.

**SCHEDULE C  
(Form 1040)**

**Profit or Loss From Business  
(Sole Proprietorship)**

OMB No. 1545-0074

**2011**  
Attachment  
Sequence No. 09

Department of the Treasury  
Internal Revenue Service (99)

▶ For information on Schedule C and its instructions, go to [www.irs.gov/schedulec](http://www.irs.gov/schedulec)  
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor <i>Tom Jones</i>		Social security number (SSN)
A Principal business or profession, including product or service (see instructions) <i>tax preparation</i>	B Enter code from instructions ▶ <i>511214</i>	
C Business name, if no separate business name, leave blank.	D Employer ID number (EIN), (see instr.)	
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2011? If "No," see instructions for limit on losses . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2011, check here . . . <input type="checkbox"/>		
I Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions) . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
J If "Yes," did you or will you file all required Forms 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		

**Part I Income**

1a Merchant card and third party payments. For 2011, enter -0-	1a		
1b Gross receipts or sales not entered on line 1a (see instructions)	1b		
c Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. Caution. See instr. before completing this line	1c		
d Total gross receipts. Add lines 1a through 1c	1d		
2 Returns and allowances plus any other adjustments (see instructions)	2		
3 Subtract line 2 from line 1d	3		
4 Cost of goods sold (from line 42)	4		
5 Gross profit. Subtract line 4 from line 3	5		
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6		
7 Gross income. Add lines 5 and 6	7		<i>94,000</i>

**Part II Expenses**

Enter expenses for business use of your home only on line 30.

8 Advertising	8	<i>1,000</i>	18 Office expense (see instructions)	18	<i>15,000</i>
9 Car and truck expenses (see instructions)	9		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):	20a	<i>12,000</i>
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20b	
12 Depreciation	12		b Other business property	21	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	<i>5,000</i>	21 Repairs and maintenance	22	<i>5,000</i>
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	23	
15 Insurance (other than health)	15	<i>1,000</i>	23 Taxes and licenses	24	
16 Interest:			24 Travel, meals, and entertainment:	24a	
a Mortgage (paid to banks, etc.)	16a		a Travel	24b	
b Other	16b		b Deductible meals and entertainment (see instructions)	26	<i>5,000</i>
17 Legal and professional services	17		25 Utilities	26	
20 Total expenses before expenses for business use of home. Add lines 8 through 27a	20		26 Wages (less employment credits)	27a	
20 Tentative profit or (loss). Subtract line 20 from line 7	20		27a Other expenses (from line 48)	27b	
30 Expenses for business use of your home. Attach Form 8829. Do not report such expenses elsewhere	30		b Reserved for future use	28	<i>44,000</i>
31 Net profit or (loss). Subtract line 30 from line 29.	31			29	<i>94,000</i>
• If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see instr. Estates and trusts, enter on Form 1041, line 3.				30	<i>44,000</i>
• If a loss, you must go to line 32.					
32 If you have a loss, check the box that describes your investment in this activity (see instructions).					
• If you checked 32a, enter the loss on both Form 1040, line 12, (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see the instructions for line 31. Estates and trusts, enter on Form 1041, line 3.					
• If you checked 32b, you must attach Form 0108. Your loss may be limited.					
					<i>50,000</i>

32a  All investment is at risk.  
32b  Some investment is not at risk.

**SCHEDULE S**  
(Rev. 7/11)

**2011**  
**KANSAS SUPPLEMENTAL SCHEDULE**

114311

Your First Name <i>Tom</i>	Initial	Last Name <i>Jones</i>
-------------------------------	---------	---------------------------

Enter the first four letters of your last name. Use ALL CAPITAL letters.

--	--	--	--

Your Social Security number

--	--	--	--	--	--	--	--

Spouse's First Name <i>Mary</i>	Initial	Last Name <i>Jones</i>
------------------------------------	---------	---------------------------

Enter the first four letters of your spouse's last name. Use ALL CAPITAL letters.

--	--	--	--

Spouse's Social Security number

--	--	--	--	--	--	--	--

**PART A - MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME (See instructions)**

**ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME:**

A1. State and municipal bond interest not specifically exempt from Kansas income tax (Reduced by related expenses) .....										00
A2. Contributions to all KPERs (Kansas Public Employee's Retirement Systems) (See instructions) .....										00
A3. Federal net operating loss carry forward .....										00
A4. Contributions to a Regional Foundation (See instructions) .....										00
A5. Other additions to Federal adjusted gross income (See instructions and enclose list) .....			1	1	5	3	2			00
A6. Total additions to Federal adjusted gross income (Add lines A1 through A5) .....										00

**SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME:**

A7. Social Security benefits (See instructions) .....										00
A8. KPERs lump sum distributions exempt from Kansas income tax (See instructions) .....										00
A9. Interest on U.S. Government obligations (Reduced by related expenses) .....										00
A10. State or local income tax refund (If included on line 1 of Form K-40) .....										00
A11. Kansas net operating loss carry forward .....										00
A12. Retirement benefits specifically exempt from Kansas income tax (Do not include Social Security benefits or KPERs lump sum distributions) .....										00
A13. Military Compensation of a Nonresident Servicemember (Nonresidents only; see instructions) .....										00
A14. Qualified Long-Term Care (LTC) insurance premiums (See instructions) .....										00
A15. Contributions to Learning Quest or other states' qualified tuition programs (See instructions) .....										00
A16. Armed Forces Recruitment, Sign-up, or Retention Bonus .....										00
A17. Other subtractions from Federal adjusted gross income (See instructions and enclose list) .....			5	0	0	0	0			00
A18. Total subtractions from Federal adjusted gross income (Add lines A7 through A17) .....										00

**NET MODIFICATIONS:**

If amount is negative, shade minus (-) in box. Example:

A19. Net modifications to Federal adjusted gross income (subtract line A18 from line A6). Enter on line 2, Form K-40. If negative, shade minus (-) in box. 

			3	8	4	6	8	00
--	--	--	---	---	---	---	---	----

# K-40

(Rev. 7/11)

DO NOT STAPLE

## 2011 KANSAS INDIVIDUAL INCOME TAX and/or FOOD SALES TAX REFUND

114511



Your First Name <b>Tom</b>	Initial	Last Name <b>Jones</b>
Spouse's First Name <b>Mary</b>	Initial	Last Name <b>Jones</b>
Mailing Address (Number and Street, including Rural Route)		School District No.
City, Town, or Post Office <b>Anywhere</b>	State <b>Ks</b>	Zip Code
		County Abbreviation

Enter the first four letters of your last name. Use ALL CAPITAL letters.

Your Social Security number

Enter the first four letters of your spouse's last name. Use ALL CAPITAL letters.

Spouse's Social Security number

Daytime telephone number

If your name or address has changed since last year, mark an "X" in this box

If taxpayer (or spouse if filing joint) died during this tax year, mark an "X" in this box

### Amended Return (Mark ONE)

If this is an AMENDED 2011 Kansas return mark one of the following boxes:

Amended affects Kansas only     Amended Federal tax return     Adjustment by the IRS

### Filing Status (Mark ONE)

Single     Married filing joint (Even if only one had income)     Married filing separate     Head of household (Do not mark if filing a joint return)

### Residency Status (Mark ONE)

Resident     Part-year resident from \_\_\_/\_\_\_/\_\_\_ to \_\_\_/\_\_\_/\_\_\_     Nonresident (Complete Sch. S, Part B)

### Exemptions and Dependents

Enter the number of exemptions you claimed on your 2011 federal return. If no federal return is required, enter total exemptions for you, your spouse (if applicable), and each person you claim as a dependent.

If filing status above is Head of household, add one exemption.

Total Kansas exemptions. (List below name, date of birth, relationship and SSN of persons claimed as dependents)

Name (Last, first, middle initial)	Date of Birth				Relationship	SSN (Last, first, middle)			
	M	M	Y	Y					

IF YOU ARE FILING A JOINT RETURN, ENCLOSE A SEPARATE COPY FILE.

### Food Sales Tax Qualification

If you were a Kansas resident for all 2011, complete this section to determine if you qualify for a Food Sales Tax refund.

- Mark ONE box
- A. Had a dependent child who lived with you all year and was under the age of 18 during all of 2011? YES  NO
  - B. Were you (or spouse) 65 years of age or older during 2011 (born prior to January 1, 1957)? YES  NO
  - C. Were you (or spouse) totally and permanently disabled or blind during 2011, regardless of age? YES  NO
  - D. If you answered YES to A, B, or C, complete the worksheet on page 11 and enter the QUALIFYING INCOME amount from line 14 (if line 14 is zero, you must enter "0" here)
  - E. If amount on line D is less than \$35,401, see instructions in the tax booklet to figure your refund. Enter the amount here. This is your FOOD SALES TAX REFUND.

If you are filing for a Food Sales Tax refund only, you do not need to complete lines 1 through 39. Just SIGN this return on the back and mail it to the address shown below. Refunds are not issued for unsigned returns.

Send Kansas 2011 tax returns to:

814 West 10th Street, Topeka, KS 66604-1000

ENTER AMOUNTS IN WHOLE DOLLARS ONLY

<b>Income</b> Shade the box for negative amounts. Example: <input type="checkbox"/>	1. Federal adjusted gross income	1	<input type="checkbox"/>	88468	00
	2. Modifications (From Schedule S, line A19). Enclose Schedule S.	2	<input type="checkbox"/>	38468	00
	3. Kansas adjusted gross income (Line 2 added to or subtracted from line 1).	3	<input type="checkbox"/>	50000	00
<b>Deductions</b>	4. Standard deduction OR itemized deductions (See instructions).	4			00
	5. Exemption allowance (\$2,250 x number of exemptions claimed)	5			00
	6. Total deductions (Add lines 4 and 5)	6			00
	7. Taxable income (Subtract line 6 from line 3; if less than zero, enter 0)	7			00
	8. Tax (From Tax Tables or Tax Computation Schedules)	8			00
<b>Tax Computation</b>	9. Nonresident percentage (from Schedule S, line B23; or if 100%, enter 100.0000)	9			
	10. Nonresident tax (Multiply line 8 by line 9)	10			00
	11. Kansas tax on lump sum distributions (Residents only - see instructions)	11			00
	12. TOTAL INCOME TAX (Residents: add lines 8 & 11; Nonresidents: enter amount from line 10)	12			00
<b>Credits</b>	13. Credit for taxes paid to other states (See instructions. Enclose return(s) from other states.)	13			00
	14. Credit for child & dependent care expenses (See instructions)	14			00
	15. Other credits (Enclose all appropriate credit schedules)	15			00
	16. Total tax credits (Add lines 13, 14 and 15)	16			00
	17. Income tax balance after credits (Subtract line 16 from line 12; cannot be less than zero)	17			00
<b>Use Tax</b>	18. Use tax due (See instructions)	18			00
	19. Total Tax Balance (Add lines 17 and 18)	19			00
<b>Withholding and Payments</b>	20. Kansas income tax withheld from W-2, 1099, or K-19 (Enclose K-19; see instructions)	20			00
	21. Estimated tax paid	21			00
	22. Amount paid with Kansas extension	22			00
	23. Earned income credit (See instructions)	23			00
	24. Refundable portion of tax credits (Enclose all appropriate credit schedules)	24			00
	25. Payments remitted with original return	25			00
	26. Overpayment from original return (This figure is a subtraction; see instructions)	26			00
	27. Total refundable credits (Add lines 20 through 25 and, if applicable, your Food Sales Tax refund amount from line E; then subtract amount on line 26)	27	<input type="checkbox"/>		
<b>Balance Due</b>	28. Underpayment (If line 19 is greater than line 27, enter the difference here)	28			00
	29. Interest (See instructions)	29			00
	30. Penalty (See instructions)	30			00
	31. Estimated Tax Penalty <input type="checkbox"/> Mark box if engaged in commercial farming or fishing in 2011.	31			00
	32. AMOUNT YOU OWE (Add lines 28 thru 31 and any entries on lines 35 thru 38)	32			00
<b>Overpayment</b>	33. Overpayment (If line 19 is less than line 27, enter the difference here)	33			00
	34. CREDIT FORWARD (Enter amount you wish to be applied to your 2012 estimated tax)	34			00
	35. CHICKADEE CHECKOFF (Kansas Nongame Wildlife Improvement Program)	35			00
	36. SENIOR CITIZENS MEALS ON WHEELS CONTRIBUTION PROGRAM	36			00
	37. BREAST CANCER RESEARCH FUND	37			00
	38. MILITARY EMERGENCY RELIEF FUND	38			00
	39. REFUND (Subtract lines 34 through 38 from line 33)	39			00

Signature(s)  I authorize the Director of Taxation or the Director's designee to discuss my return and enclosures with my preparer. I declare under the penalties of perjury that to the best of my knowledge, this is a true, correct, and complete return.

Signature of Taxpayer Date Signature of preparer (other than taxpayer) Preparer's Title

Signature of preparer (if preparer is not a CPA) Taxpayer's EIN

ENCLOSE any necessary documents with this form. DO NOT STAPLE.

For the year Jan. 1-Dec. 31, 2011, or other tax year beginning , 2011, ending , 20

See separate instructions.

Your first name and initial: *Tom* Last name: *Jones* Your social security number: | | |

If a joint return, spouse's first name and initial: *Mary* Last name: *Jones* Spouse's social security number: | | |

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. ▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). *Anywhere, KS* Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

Foreign country name Foreign province/county Foreign postal code

**Filing Status**

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here. ▶

4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a . . . . .

b  Spouse . . . . .

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(i) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here ▶

Boxes checked on 6a and 6b: **2**

No. of children on 6c who:  
 • lived with you  
 • did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ▶ **2**

**Income**

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	50,000
8a	Taxable interest. Attach Schedule B if required	8a	
b	Tax-exempt interest. Do not include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required	9a	
b	Qualified dividends	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	(10,000)
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount	15b	
16a	Pensions and annuities	16a	
b	Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	
b	Taxable amount	20b	
21	Other income. List type and amount	21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	40,000

**Adjusted Gross Income**

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	2,000
29	Self-employed health insurance deduction	29	6,000
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35	36	8,000
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	32,000



**SCHEDULE C  
(Form 1040)**

**Profit or Loss From Business  
(Sole Proprietorship)**

OMB No. 1545-0074

**2011**  
Attachment  
Sequence No. 09

Department of the Treasury  
Internal Revenue Service (99)

▶ For information on Schedule C and its instructions, go to [www.irs.gov/schedulec](http://www.irs.gov/schedulec)  
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor <i>Tom Jones</i>		Social security number (SSN)
A	Principal business or profession, including product or service (see instructions) <i>tax preparation</i>	B Enter code from instructions ▶ <i>54112114</i>
C	Business name. If no separate business name, leave blank.	D Employer ID number (EIN), (see instr.)
E	Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	
F	Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶	
G	Did you "materially participate" in the operation of this business during 2011? If "No," see instructions for limit on losses . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
H	If you started or acquired this business during 2011, check here . . . . . ▶ <input type="checkbox"/>	
I	Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions) . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
J	If "Yes," did you or will you file all required Forms 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No	

**Part I Income**

1a	Merchant card and third party payments. For 2011, enter -0- . . . . .	1a		
b	Gross receipts or sales not entered on line 1a (see instructions) . . . . .	1b		
c	Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. Caution. See Instr. before completing this line	1c		
d	Total gross receipts. Add lines 1a through 1c . . . . .	1d		
2	Returns and allowances plus any other adjustments (see instructions) . . . . .	2		
3	Subtract line 2 from line 1d . . . . .	3		
4	Cost of goods sold (from line 42) . . . . .	4		
5	Gross profit. Subtract line 4 from line 3 . . . . .	5		
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	6		
7	Gross income. Add lines 5 and 6 . . . . .	7		<i>34000</i>

**Part II Expenses**

**Enter expenses for business use of your home only on line 30.**

8	Advertising . . . . .	8	<i>1000</i>	18	Office expense (see instructions)	18	<i>15000</i>
9	Car and truck expenses (see instructions). . . . .	9		19	Pension and profit-sharing plans . . . . .	19	
10	Commissions and fees . . . . .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	<i>12,000</i>
12	Depreciation . . . . .	12		b	Other business property . . . . .	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	13	<i>5000</i>	21	Repairs and maintenance . . . . .	21	
14	Employee benefit programs (other than on line 19). . . . .	14		22	Supplies (not included in Part III) . . . . .	22	<i>5,000</i>
15	Insurance (other than health)	15	<i>1000</i>	23	Taxes and licenses . . . . .	23	
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel . . . . .	24a	
b	Other . . . . .	16b		b	Deductible meals and entertainment (see instructions) . . . . .	24b	
17	Legal and professional services	17		25	Utilities . . . . .	25	<i>5,000</i>
				26	Wages (less employment credits) . . . . .	26	
				27a	Other expenses (from line 4B) . . . . .	27a	
				b	Reserved for future use . . . . .	27b	

28	Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	28	<i>49000</i>
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29	<i>34000</i>
30	Expenses for business use of your home. Attach Form 8829. Do not report such expenses elsewhere . . . . .	30	<i>44,000</i>
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see instr. Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	<i>(10,000)</i>
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Form 1040, line 12, (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see the instructions for line 31. Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32a	<input type="checkbox"/> All investment is at risk.
		32b	<input type="checkbox"/> Some investment is not at risk.

**SCHEDULE S**  
(Rev. 7/11)

**2011**  
**KANSAS SUPPLEMENTAL SCHEDULE**

114311



Your First Name <i>Tom</i>	Initial	Last Name <i>Jones</i>
Spouse's First Name <i>Mary</i>	Initial	Last Name <i>Jones</i>

Enter the first four letters of your last name. Use ALL CAPITAL letters.

--	--	--	--

Your Social Security number

--	--	--	--	--	--	--	--

Enter the first four letters of your spouse's last name. Use ALL CAPITAL letters.

--	--	--	--

Spouse's Social Security number

--	--	--	--	--	--	--	--

**PART A - MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME (See Instructions)**

**ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME:**

A1. State and municipal bond interest not specifically exempt from Kansas income tax (Reduced by related expenses) .....									00
A2. Contributions to all KPERS (Kansas Public Employee's Retirement Systems) (See Instructions) .....									00
A3. Federal net operating loss carry forward .....									00
A4. Contributions to a Regional Foundation (See Instructions) .....									00
A5. Other additions to Federal adjusted gross income (See Instructions and enclose list) .....					1	8	0	0	00
A6. Total additions to Federal adjusted gross income (Add lines A1 through A5) .....									00

**SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME:**

A7. Social Security benefits (See Instructions) .....									00
A8. KPERS lump sum distributions exempt from Kansas income tax (See Instructions) .....									00
A9. Interest on U.S. Government obligations (Reduced by related expenses) .....									00
A10. State or local income tax refund (If included on line 1 of Form K-40) .....									00
A11. Kansas net operating loss carry forward .....									00
A12. Retirement benefits specifically exempt from Kansas income tax (Do not include Social Security benefits or KPERS lump sum distributions) .....									00
A13. Military Compensation of a Nonresident Servicemember (Nonresidents only; see Instructions) .....									00
A14. Qualified Long-Term Care (LTC) insurance premiums (See Instructions) .....									00
A15. Contributions to Learning Quest or other states' qualified tuition programs (See Instructions) .....									00
A16. Armed Forces Recruitment, Sign-up, or Retention Bonus .....									00
A17. Other subtractions from Federal adjusted gross income (See Instructions and enclose list) .....									00
A18. Total subtractions from Federal adjusted gross income (Add lines A7 through A17) .....									00

**NET MODIFICATIONS:**

If amount is negative, shade minus (-) in box. Example:

A19. Net modifications to Federal adjusted gross income (subtract line A18 from line A6). Enter on line 2, Form K-40. If negative, shade minus (-) in box. 

									00
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# K-40

(Rev. 7/11)

DO NOT STAPLE

## 2011

### KANSAS INDIVIDUAL INCOME TAX and/or FOOD SALES TAX REFUND

114511

Your First Name <i>Tom</i>	Initial	Last Name <i>Jones</i>
Spouse's First Name <i>Mary</i>	Initial	Last Name <i>Jones</i>
Mailing Address (Number and Street, including Rural Route)		School District No.
City, Town, or Post Office <i>Anywhere</i>	State <i>KS</i>	Zip Code
		County Abbreviation

Enter the first four letters of your last name. Use ALL CAPITAL letters.

Your Social Security number

Enter the first four letters of your spouse's last name. Use ALL CAPITAL letters.

Spouse's Social Security number

Daytime telephone number

- If your name or address has changed since last year, mark an "X" in this box
- If taxpayer (or spouse if filing joint) died during this tax year, mark an "X" in this box

#### Amended Return (Mark ONE)

If this is an AMENDED 2011 Kansas return mark one of the following boxes:

- Amended affects Kansas only
- Amended Federal tax return
- Adjustment by the IRS

#### Filing Status (Mark ONE)

- Single
- Married filing joint (Even if only one had income)
- Married filing separate
- Head of household (Do not mark if filing a joint return)

#### Residency Status (Mark ONE)

- Resident
- Part-year resident from \_\_\_/\_\_\_/\_\_\_ to \_\_\_/\_\_\_/\_\_\_ (Complete Sch. S, Part B)
- Nonresident (Complete Sch. S, Part B)

#### Exemptions and Dependents

Enter the number of exemptions you claimed on your 2011 federal return. If no federal return is required, enter total exemptions for you, your spouse (if applicable), and each person you claim as a dependent.

If filing status above is Head of household, add one exemption.

Total Kansas exemptions. (List below name, date of birth, relationship and SSN of persons claimed as dependents)

First and last name (please print)	Date of Birth					Relationship	SSN (Social Security Number)						
	M	R	D	D	Y								

IF ADDITIONAL SPACE IS NEEDED, ENCLOSE A SEPARATE SCHEDULE.

#### Food Sales Tax Qualification

If you were a Kansas resident for all 2011, complete this section to determine if you qualify for a Food Sales Tax refund.

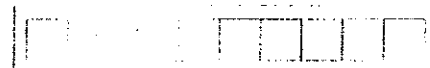
- A. Had a dependent child who lived with you all year and was under the age of 18 during all of 2011? YES  NO
- B. Were you (or spouse) 55 years of age or older during 2011 (born prior to January 1, 1957)? . . . . . YES  NO
- C. Were you (or spouse) totally and permanently disabled or blind during 2011, regardless of age? . . . . . YES  NO

D. If you answered YES to A, B, or C, complete the worksheet on page 11 and enter the QUALIFYING INCOME amount from line 14 (if line 14 is zero, you must enter "0" here)

E. If amount on line D is less than \$35,401, see instructions in the tax booklet to figure your refund. Enter the amount here. This is your FOOD SALES TAX REFUND. . . . .

If you are filing for a Food Sales Tax refund only, you do not need to complete lines 1 through 39. Just SIGN this return on the back and mail it to the address shown below. Refunds are not issued for unsigned returns.

Mail to: Kansas Income Tax, Kansas Dept. of Revenue  
915 SW Harrison St., Topeka, KS 66609-1000



ENTER AMOUNTS IN WHOLE DOLLARS ONLY

<b>Income</b> Shade the box for negative amounts. Example: <input type="checkbox"/>	1. Federal adjusted gross income	1	<input checked="" type="checkbox"/>	32,000	00
	2. Modifications (From Schedule S, line A19). Enclose Schedule S.	2	<input checked="" type="checkbox"/>	18,000	00
	3. Kansas adjusted gross income (Line 2 added to or subtracted from line 1).	3	<input checked="" type="checkbox"/>	50,000	00
<b>Deductions</b>	4. Standard deduction OR itemized deductions (See instructions).	4			00
	5. Exemption allowance (\$2,250 x number of exemptions claimed).	5			00
	6. Total deductions (Add lines 4 and 5).	6			00
	7. Taxable income (Subtract line 6 from line 3; if less than zero, enter 0).	7			00
<b>Tax Computation</b>	8. Tax (From Tax Tables or Tax Computation Schedules).	8			00
	9. Nonresident percentage (from Schedule S, line B23; or if 100%, enter 100.0000).	9			
	10. Nonresident tax (Multiply line 8 by line 9).	10			00
	11. Kansas tax on lump sum distributions (Residents only - see instructions).	11			00
	12. TOTAL INCOME TAX (Residents: add lines 8 & 11; Nonresidents: enter amount from line 10)	12			00
<b>Credits</b>	13. Credit for taxes paid to other states (See instructions. Enclose return(s) from other states.)	13			00
	14. Credit for child & dependent care expenses (See instructions).	14			00
	15. Other credits (Enclose all appropriate credit schedules).	15			00
	16. Total tax credits (Add lines 13, 14 and 15)	16			00
	17. Income tax balance after credits (Subtract line 16 from line 12; cannot be less than zero)	17			00
<b>Use Tax</b>	18. Use tax due (See instructions).	18			00
	19. Total Tax Balance (Add lines 17 and 18).	19			00
<b>Withholding and Payments</b>	20. Kansas income tax withheld from W-2, 1099, or K-19 (Enclose K-19; see instructions).	20			00
	21. Estimated tax paid	21			00
	22. Amount paid with Kansas extension	22			00
	23. Earned income credit (See instructions).	23			00
	24. Refundable portion of tax credits (Enclose all appropriate credit schedules)	24			00
	25. Payments remitted with original return	25			00
	26. Overpayment from original return (This figure is a subtraction; see instructions)	26			00
	27. Total refundable credits (Add lines 20 through 25 and, if applicable, your Food Sales Tax refund amount from line E; then subtract amount on line 26)	27	<input checked="" type="checkbox"/>		00
<b>Balance Due</b>	28. Underpayment (If line 19 is greater than line 27, enter the difference here)	28			00
	29. Interest (See instructions).	29			00
	30. Penalty (See instructions).	30			00
	31. Estimated Tax Penalty <input type="checkbox"/> Mark box if engaged in commercial farming or fishing in 2011.	31			00
	32. AMOUNT YOU OWE (Add lines 28 thru 31 and any entries on lines 35 thru 38)	32			00
<b>Overpayment</b>	33. Overpayment (If line 19 is less than line 27, enter the difference here)	33			00
	34. CREDIT FORWARD (Enter amount you wish to be applied to your 2012 estimated tax)	34			00
	35. CHICKADEE CHECKOFF (Kansas Nongame Wildlife Improvement Program)	35			00
	36. SENIOR CITIZENS MEALS ON WHEELS CONTRIBUTION PROGRAM.	36			00
	37. BREAST CANCER RESEARCH FUND.	37			00
	38. MILITARY EMERGENCY RELIEF FUND	38			00
	39. REFUND (Subtract lines 34 through 38 from line 33).	39			00

Signature(s)  I authorize the Director of Taxation or the Director's designee to discuss my return and enclosures with my preparer.  
I declare under the penalties of perjury that to the best of my knowledge this is a true, correct and complete return.

Name of preparer

Title

Signature of preparer other than tax preparer

Phone number of preparer

Preparer's Kansas Filing Job #

Preparer's EIN or SSN

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ENCLOSE any necessary documents with this form. DO NOT STAPLE.